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TO : AD/ORE
Via : Chief, D/Ec *CE*
FROM : [REDACTED], D/Ec 25X1A9a

DATE: 5 April 1950

SUBJECT: The problem of classified information in connection with participation in export control administration

Against the background of lengthy discussion of this problem with I&S, the appropriate officials in the Department of Commerce agreed, at our request, not to mention the CIA in connection with the export control program except with a prior clearance, and in no case in any other than a highly classified document. Various minor deviations from this understanding have occurred, from time to time, within the Department of Commerce, but these cases have been dealt with as they arose and without any serious difficulty.

The March 27 issue of Foreign Commerce Weekly, published by the OIT and widely distributed to trade and trade representatives in the United States and in foreign countries, contained an article entitled "Export Control: An Appraisal of Significant Recent Developments", in which the CIA is mentioned as one of the agencies represented on the Advisory Committee on Requirements and various subcommittees concerned with export control. The article also contains various other statements which clearly disclose the pattern of the participation of the CIA in the export control administration. The following two statements are examples:

"Security controls, however, required analysis of the war potential of countries in the Soviet orbit, the evaluation of the inherent strategic importance of many commodities, the strategic significance to the Soviets of various quantities of such commodities, and similar considerations."

"Evidence received by OIT from the various intelligence services has attested to the impact of these controls on the Soviet area's industrial war potential. Additional evidence lies in their constant search for such equipment through clandestine channels and the premium prices being offered for many commodities."

The article presents the following two problems:

(a) The mention in an unclassified publication of the CIA's participation in the export control program is a breach of the understanding referred to above, that no mention should be made of the CIA's participation, except with prior clearance, and in no case in an unclassified document.

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(b) The mention of CIA's participation, together with information of the sort contained in the two quotations above, gives a complete picture of CIA use of classified materials in connection with the export control program. This article will put many of our sources on notice that the information given to any CIA representative will be made available to the OIT licensing officers with whom many of them are dealing, directly or indirectly, with reference to export licenses.

As a result of the situation above described, I have requested CIA staff members who have been participating in technical subcommittees on export control to suspend that participation, for the time being, until the problem could be reconsidered to determine whether our present arrangements are satisfactory, from the point of view of necessary protection of classified information and of our sources. I have also advised the appropriate officials of the Department of Commerce that my own participation in the general committees, for the time being, will be limited to observation only.

I immediately discussed the above problem with Mr. Winters, of I&S, and requested their assistance in a re-examination of this problem and in an effort to find, if possible, a more satisfactory formula for our participation in the export control administration.

You will recall the oral reports that I have made, from time to time, regarding the embarrassment and difficulty which we have encountered in handling classified information in connection with the endeavor to make an effective contribution in connection with export control. With the development of this current situation, you will appreciate that I cannot avoid disappointment that so little progress has been made on this problem.

I should like to request appropriate guidance, both in dealing with the immediate problem and in finding a definitive formula for future activity.

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